

Flexicurity: A Relevant Approach in Central and Eastern Europe

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May 1955 the Federal Republic of Germany was set on the path to re-armament: 'Bolstered by the explicit blessing of the Western occupying powers and the support of its own population. What had been unthinkable ten years earlier was now accomplished fact.' (p. 23)

In the current context of the domestic debate within Germany over the post-war integration of millions of displaced people, mostly ethnic Germans transferred from Eastern and Central Europe, it is interesting to note a poll that was conducted in August 1951 in the refugee camps in West Germany. The findings provide an idea of what those people had been through: 'A sense of rejection by the outside world was extensive. As many as 42 per cent had never been helped by any relief or welfare group, and some never even heard of such organisations.' (p. 166) These incoming Germans were for the most part met with a cool reception. They were regarded as a burden, adding to the already complicated situation in a country devastated by war. 'A large number of the respondents in this survey did not seem to want to be assimilated into German life. As many as 64 per cent claimed to have no friends among native Germans. 48 per cent felt that employers preferred to hire natives.' (p. 166) It is no surprise that in this situation many longed to return to their former homes, however much under the given circumstances that was impossible: 'A solid majority (72%) said they would like to return to their homeland. Most felt that the Eastern nations and their communist governments, as well as the Great Powers, were responsible for their expulsion.' (p. 167)

The American reconciliation strategy after 1949, when it was transferred to the authority of the bodies of the FRG, focused mainly on an information policy (the use of radio stations like RIAS Berlin, which 99% of respondents were listening to in 1949, and Voice of America, and the magazine publications *Amerikanische Rundschau*, *Der*

Monat, *Heute*, *Neue Auslese*, etc.). Another important component in the US information programme was the 'American Houses' information centres (which had a large library and numerous films and offered professional lectures), which were attended primarily by people with a university-level education (34%). Despite the costs the entire programme was evaluated as very successful, and it continued long after the occupying role of the United States had finished. It significantly contributed to shaping the ideas of the social elites who then influenced the wider social strata.

The reviewed book represents a valuable contribution to the understanding of the development of society in post-war West Germany through authentic contemporary reflections mediated in sociological form by public opinion polls. It is also evident from the content of the polls that among the Allies it was mainly the United States that strove to establish a democratic state and an independent Federal Republic of Germany.

Václav Houžvička

Sandrine Cazes – Alena Nešporová:
*Flexicurity: A Relevant Approach
in Central and Eastern Europe*

Geneva 2003: International Labour Office,
XIV and 262 pp.

For several years and across developed Europe, flexicurity has been considered one of the main tools for coping with the challenges of globalisation. While globalisation is considered to be beneficial for growth and employment, it also requires adequate responses from the labour market and social protection systems. Following the renewed EU Lisbon strategy, more and better jobs should be created through flexibility and security. A group of seven top experts set up by the European Commission, in its thorough report 'on pathways towards im-

proved flexicurity to be taken by the Member States', summarised it this way:

'Flexicurity is a policy strategy to enhance ... the flexibility of labour markets, work organisations and labour relations on the one hand, and security on the other (that) can be made mutually supportive. Encouraging flexible labour markets and ensuring high levels of security will only be effective if workers are given the means to adapt to change, to enter into employment, to stay on the job market and to make progress in their working life. Therefore, the concept of flexicurity includes a strong emphasis on active labour market policies, and motivating lifelong learning and training – but also on strong social security systems to provide income support and allow people to combine work with care' (*Flexicurity Pathways. Report by the European Expert Group on Flexicurity*, European Commission, June 2007).

One of the important sources that fed the concept was the International Labour Office's (ILO) 'Decent Work Agenda' developed since 2000. The ILO continues to be very active in mapping the situation, setting the relevant policies, and developing this process. The authors of the reviewed book (quoted with appreciation also in the above mentioned EC study) focus on the topic systematically from the ILO's perspective with regard to countries of Central and South-Eastern Europe (CSEE). This is indeed a difficult task, owing to the later and slower implementation of policies and the fewer analyses available in these countries compared to Western countries.

This book is the second devoted to the topic in the region. The first was the book by Sandrine Cazes and Alena Nešporová: *Labour Markets in Transition: Balancing Flexibility and Security in Central and Eastern Europe*, ILO 2003 (reviewed by this author in the *Journal of European Social Policy* 2/2004). In that book the two authors set up the framework of analysis and generalised a large amount of statistical evidence,

acknowledging also the variety of situations and development paths of individual countries and their groupings. They identified some specifics of the regional labour market, in particular the counter-cyclical behaviour of labour turnover. In advanced countries people move to more productive jobs when the economy is on the rise, which contributes to economic growth. In transition countries the situation is different. When the economy is booming people keep their jobs because of a perceived insecurity, which eventually leads to the sub-optimal performance of the economy. Unlike Western employees, they tend to move only under pressure in periods of recession.

In this new study, *Flexicurity: A Relevant Approach in Central and Eastern Europe*, this finding is re-confirmed (except in Bulgaria and Hungary) in an analysis of new data. The aim of this book is 'to advocate the relevance of the flexicurity approach for Central and Eastern European countries and suggest appropriate reforms of both their labour markets and institutional frameworks, and their education and social security systems' (p. 7). The first study was written by the two ILO experts alone, while the present volume also includes five national studies (Bulgaria, Croatia, Hungary, Lithuania and Poland) written by local experts. Cazes and Nešporová synthesise and provide supplementary information in the introductory chapters and suggest policy recommendations in the final chapter. Countries other than those listed are included in the general sections are also included, and there is a special chapter devoted to the wage dimension of flexibility and security, which also refers to other countries.

The basic premise is that increasing flexibility alone, without adequate compensation through higher employment security, is not enough to improve labour market efficiency. The deregulation policy in Central and South-Eastern European (CSEE) countries had some adverse effects in la-

bour market participation. The region experienced almost jobless economic growth, which has led to some inconsistencies – such as less improvement in the situation of women and the relative deterioration of labour market participation of youth. The incidence of standard flexible forms of employment – part-time and fixed-term contracts – is somewhat low, but an important increase occurred with regard to the latter in recent years. Statistics on self-employment indicate stability in this area, resulting from two opposite trends: while big companies squeeze small entrepreneurs, the new information and communication technologies are allowing specialists to start their own businesses.

The study maps the developments and the situation in the CSEE region, presenting a condensed but differentiated picture. Let us enumerate just several findings of many: labour turnover declined in the early 2000s pointing to a certain stabilisation of the labour market; the segmentation of the labour market remained significant; employment protection legislation was further liberalised but has had only a negligible impact on employment and unemployment. Various characteristics of national labour markets are examined in relation to the activity rate and are analysed using econometric methods: while employment protection and union activity have had no impact (or even a negative impact for youth), the effect of the labour tax has clearly been negative, while that of active labour market policies has been positive. Overall, the situations in the CSEE and the more advanced OECD countries converged.

In the chapter on wage flexibility, Mirco Tonin opens with a warning about statistical descriptions of the situation. In fact, the substantial role of the informal economy limits the validity of official data on wages, even when comparing countries with different levels of informal arrangements. The author has tried to gather

various facts to create a summary picture showing that while collective bargaining coverage and union density are lower in the CSEE countries, the percentage of undeclared work in GDP is many times higher than the EU-15 average. Greater fiscal pressure on wages (in Central European countries in particular) in comparison with Western Europe is an important reason for avoiding regulation.

The informal economy is accordingly discussed by the main authors, and it is also mentioned in some of the national chapters. However, no more than a general statement or rough estimates can be put forth with regard to its (unknown) significance. It is a pity that national research institutes are not engaged in such study, based on case studies in the branches affected most by this phenomenon (such as construction or services), and using participatory observation or qualitative methods. The same is true of (non-existent) field studies, focusing on real perceptions of various thresholds of income and their incentive power for workers' behaviour. Is the equivalent of – say – 50 EUR motivating enough to leave the welfare system and enter the official labour market in one country or another?

As the two principal authors stress, there is no 'one-size-fits-all' flexibility model, since '... different combinations of flexibility and security can be of service to both employers and employees in different national contexts' (p. 4). This echoes considerations about the most elaborate national flexicurity schemes (such as the Dutch or Danish), each of which is the outcome of a long historical process and specific political arrangements, and therefore, none offers a simple scheme ready for immediate application. This awareness leads to the policy conclusions, broadly summarised in the last chapter. Not only macro-economic but also employment and educational policies are needed to challenge jobless growth, skill mismatch, and the ageing of the population.

While the CSEE and advanced OECD countries have converged in terms of labour legislation and policies are increasingly European-shaped (according to the ILO Decent Work Agenda, the OECD 2006 Restated Jobs Strategy, and the EU Lisbon process), important specifics apparently persist. These relate to the weak enforcement of legislation, the merely formal use of social dialogue, and the large proportion of informal labour. The two main authors mention all these specifics in the policy conclusions and suggest, among other things, a reduction of the labour payroll tax, tougher labour legislation and agreement control (including the use of labour courts), and more active labour market policies.

If our knowledge about the labour market situation is limited by statistics, which do not present the issue in its entirety owing to the hidden levels of employment, even less is probably known about the real landscape in terms of power. Globalisation, with its easy capital mobility and ever growing dominance of financial capital, is substantially altering the relationship between national governments and the business sector, between big employers and employees, and between do-

mestic and international capital. Shifting power to floating multinationals is probably the Achilles' heel of all the intentions and efforts to impose the right order on the things, including the assertion of a balance between flexibility and security.

Nevertheless, national policies matter, especially if applied synergistically with macro-economic growth. The conclusion of the Polish chapter regarding the right lines of reforms taking place in recent years (p. 211) was quite a good forecast for the sudden drop in the unemployment rate in 2005–2006. The OECD Employment Outlooks also stress the usefulness of active labour market policies, especially in relation to education and training. This is also an important point of the analytical and policy settings of the ILO, as formulated by Sandrine Cazes and Alena Nešporová for the CSEE region. Their effort, together with their colleagues, must be highly appreciated for both the extensiveness of its scope and the depth of understanding shown towards the problems in the region, which has many particular features and therefore requires an appropriately delicate approach.

Jiří Večerník